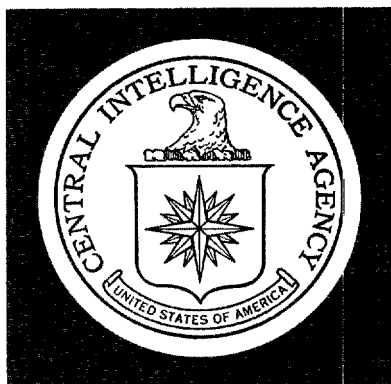


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State Department review completed

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[South Vietnam: The tempo of enemy-initiated action over the country tapered off on 14 May, but there are fresh signs of impending new attacks, particularly in the northern tier of provinces in I Corps.

The enemy reportedly still holds a South Vietnamese Regional Force outpost in Quang Tin Province which was overrun on 13 May. Some 30 miles northwest of Saigon US forces beat off a Communist assault, killing 50 enemy troops at a cost of three Americans killed. A prisoner claims that his battalion is scheduled to attack a bridge leading into Saigon from the southwest.

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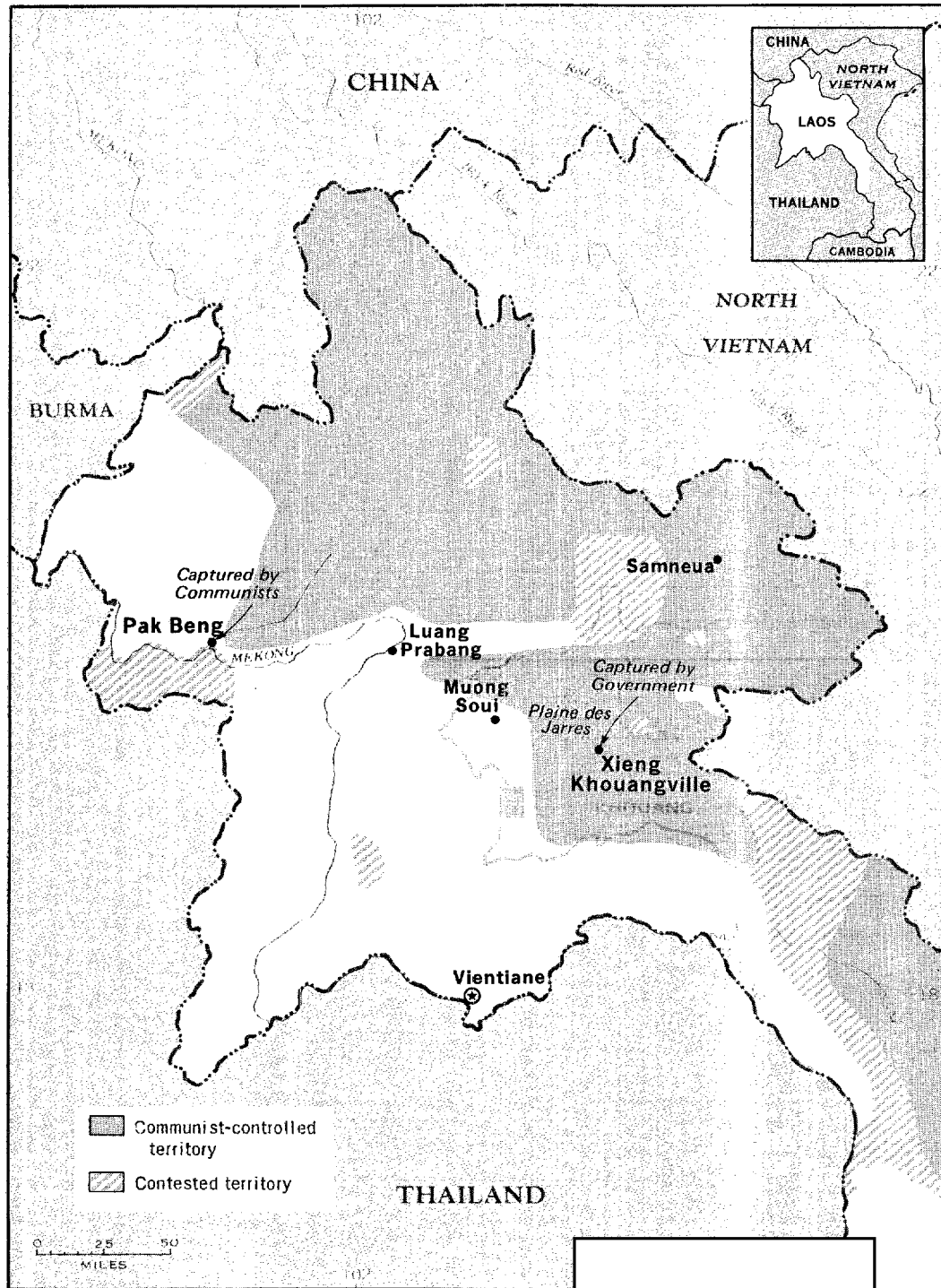
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Communists Still on Offensive Footing in Laos



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Laos: (There are new signs that Communist forces are preparing to move against forward government positions in the northeast.)

(North Vietnamese forces are still threatening guerrilla outposts north of the Plaine des Jarres and fresh enemy troops have been observed moving into the area. Although heavy air strikes appear to have kept the enemy off balance, an all-out enemy assault against these outposts could come before the monsoon rains, which normally begin in early June.)

General Vang Pao's capture of Xieng Khouangville does not yet appear to have disrupted enemy operations in other areas; there are indications that the Communists may soon attempt to recover some of their positions southeast of the plaine. A buildup of North Vietnamese in the hills northeast of Xieng Khouangville may be under way.

In the northwest, Communist forces have once again captured the village of Pak Beng but government forces are trying to hold outlying defense positions. The continued enemy pressure in the Pak Beng area may be an attempt to counter efforts that the government has been making in recent months to disrupt the infiltration of men and supplies into Thailand.

With only a few more weeks before heavy rains begin to make ground operations difficult, it appears doubtful that the Communists intend to launch a major ground offensive throughout the country. If the government is able to retain its foothold in northern Xieng Khouang Province, it is even possible that guerrillas may be able to move back into their former redoubts in Samneua Province during the rainy season.

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France: Interim President Alain Poher is now challenging the strong position which Gaullist Georges Pompidou established early in the race for the presidency.

A recent poll by the reputable French Institute of Public Opinion, taken before Poher formally announced his candidacy, gives him 45 percent of the vote as opposed to 36 percent for Pompidou on a second, runoff ballot. Nineteen percent expressed no opinion. The replies show that Poher, a centrist, has achieved front-runner status not only by rallying most of the left and center but also by cutting into the normally Gaullist segment of the electorate.

Poher did not begin to share the spotlight with Pompidou until polls late last week showed that he could pose a serious challenge. He had no national following when he took over the interim presidency, but the manner in which he has handled his official duties has at least made him acceptable in the eyes of large numbers of Frenchmen. More significantly, however, he has managed to capitalize on existing anti-Gaullist sentiment simply by representing a kind of "normalcy" for which many Frenchmen apparently yearn.

Pompidou thus far has taken much the same line as Poher, emphasizing that he, too, is a candidate of "union" rather than of any particular political party and that he is willing to collaborate with other groups and parties. He has also been quick, however, to take the offensive when possible; for example, Pompidou has criticized Poher for failing to follow through on a statement that he would step down as interim president if he decided to run.

The list of official candidates, to be published today, will include, in addition to Pompidou and Poher, at least three other names--all leftists. The campaign itself opens formally tomorrow.

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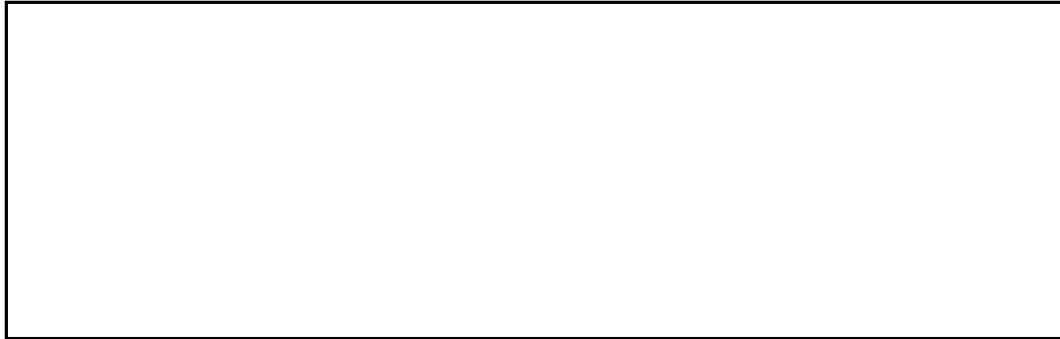
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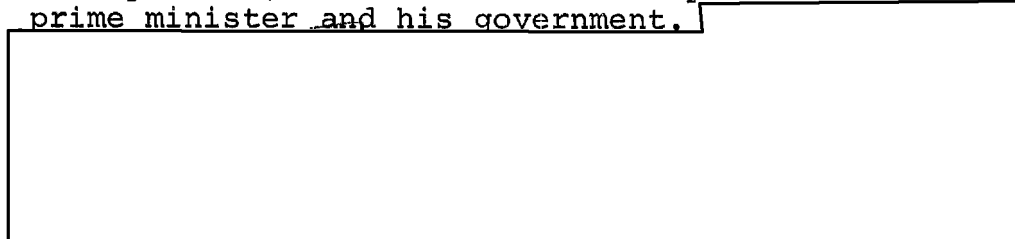
Malaysia: Prime Minister Rahman has declared a national state of emergency as rioting continues. He now blames the riots on "disloyal elements," whom he accuses of trying to overthrow the government by force of arms.

Rahman had initially accused the opposition parties of provoking the violence. So far there is no evidence that Communist or leftist elements helped start the riots. There are indications, however, that the pro-Communist Labor Party subsequently has tried to take advantage of the situation.



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The Indian component of the triparty government Alliance has announced its confidence in the Alliance and has implied that, unlike the Chinese component, it will remain in the cabinet. Although the Indian group is the smallest of the three Alliance parties, its stand should help bolster the prime minister and his government.



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Western Europe: (West German plans to sell submarine components to Argentina have caused concern in the Western European Union (WEU) that Bonn may be stretching the WEU Treaty.)

(Germany has contracted to produce, for final assembly in Argentina, components for the construction of two 1,100-ton submarines. Although exceptions have been made in the past, the WEU Treaty prohibits Germany from producing submarines over 450 tons. Bonn has interpreted this provision as applying to whole vessels, not components.)

(Some of Germany's WEU partners, particularly the UK, have questioned this interpretation, although none of them has challenged it. A German official claims that the British were satisfied by Bonn's explanation that most of the work on the submarines would take place in Argentina.)

(At present, Bonn is awaiting action by WEU on its request for an exception to the WEU Treaty that would enable a German yard to complete construction of four 1,200-ton submarines for Greece. Action on this request has been blocked by the current French boycott of WEU sessions. The resulting difficulty of winning WEU approval of the Greek exception request, or of any request which Bonn might make for an exception in the Argentine case, may have led the Germans to proceed with the Argentine contracts without consulting WEU.)

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USSR: A Warsaw Pact presence has been established in the Mediterranean with Soviet and Bulgarian ships conducting joint naval maneuvers. Four Bulgarian warships--two destroyer escorts and two minesweepers--that left the Black Sea [redacted]

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[redacted] are conducting [redacted] training west of Crete with several Soviet warships and at least one Soviet submarine. This is the fifth time since 1957 that Bulgarian ships have operated in the Mediterranean, but it is the first joint operation with Soviet ships there. [redacted]

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* * * *

Czechoslovakia: Substantial increases in retail prices of certain foods and consumer products, which became effective yesterday, will contribute to a 2.5-percent rise in prices this year, according to official sources in Prague. Although the government adhered to an agreement with the trade unions which precludes higher prices for a wide range of basic foods and consumer goods, the Trade Union Council claims that it was not consulted on other austerity measures. The council adds that restrictions on wages, now under consideration, have still to be negotiated with the unions. Construction workers have also indicated that they might slow down the government's housing program if pay raises are not negotiated by the end of the year. [redacted]

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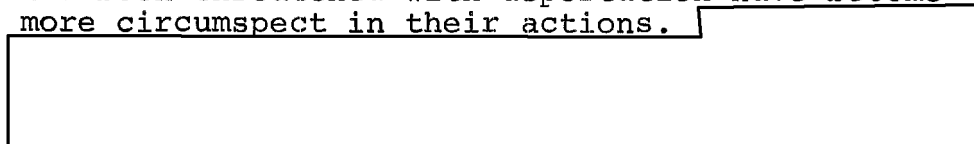


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Paraguay: The government's crackdown on political opposition is being unevenly applied. Opposition leaders allege that their followers in the rural areas are being harassed by government party members, but that in the capital the crackdown appears to be limited to a form of radio station self-censorship. It is possible that the government initiated the crackdown primarily to remind the opposition of its power and thereby to discourage overenthusiastic criticism of the regime.

The tactic seems to be working; students and opposition parties are confining themselves to peaceful protest and several foreign priests who had been threatened with deportation have become more circumspect in their actions.

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